GOOD FRIEND INTERNATIONAL HOLDINGS INC.
友佳國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock code: 2398)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2007

INTERIM RESULTS HIGHLIGHTS

- Revenue rose by 35.2% to RMB366.8 million
- The gross profit margin increased to approximately 26.1%
- Profit attributable to equity holders of the Company increased by 163.3% to RMB41.3 million
- Basic earnings per share increased by 163.3% to RMB0.12
- Declared interim dividend of RMB0.06 per ordinary share, increased by 20%

INTERIM RESULTS

The board (the "Board") of directors (the "Directors") of Good Friend International Holdings Inc. (the "Company") is pleased to present the unaudited condensed consolidated financial statements of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 June 2007 together with the comparative figures for the corresponding period in 2006. The results have been reviewed by the Company's auditors, Deloitte Touche Tohmatsu and the Company's Audit Committee.

CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2007

	Notes	Six months ended 30 June	
		2007	2006
		RMB'000	*RMB'000*
		(unaudited)	(unaudited)
Revenue		**366,834**	271,299
Cost of sales		**(271,058)**	(210,631)
Gross profit		**95,776**	60,668
Other income	*4*	**3,409**	3,782
Distribution and selling costs		**(33,726)**	(31,500)
Administrative expenses		**(17,509)**	(11,494)
Other expenses		**(534)**	(3,331)
Interest on bank borrowings wholly repayable within five years		**(1,219)**	(1,561)
Profit before taxation	*5*	**46,197**	16,564
Taxation	*6*	**(4,911)**	(885)
Profit for the period attributable to equity holders of the Company		**41,286**	15,679
Dividend	*7*	**14,000**	14,000
Earnings per share – basic, in RMB	*8*	**0.12**	0.05

CONDENSED CONSOLIDATED BALANCE SHEET
AT 30 JUNE 2007

	Notes	30 June 2007 RMB'000 (unaudited)	31 December 2006 RMB'000 (audited)
Non-current assets			
Property, plant and equipment		**118,626**	99,961
Deposits for purchase of plant and equipment		**607**	15,866
Deposit for acquisition of land use right		**19,200**	14,073
Prepaid lease payments		**24,359**	9,855
Intangible asset		**2,909**	2,313
Long term prepayments		**332**	419
Deferred tax assets		**2,774**	2,590
		168,807	145,077
Current assets			
Inventories		**129,960**	109,287
Debtors, deposits and prepayments	*9*	**215,113**	146,920
Amounts due from customers for contract work		**54,905**	18,550
Pledged bank deposits		**3,559**	2,753
Bank deposits with maturity period more than three months		**–**	4,983
Bank balances and cash		**59,515**	69,218
		463,052	351,711
Current liabilities			
Creditors and accrued charges	*10*	**239,266**	142,169
Amounts due to customers for contract work		**372**	5,698
Tax payable		**2,993**	1,110
Warranty provision		**3,963**	4,449
Bank borrowings		**61,127**	46,510
		307,721	199,936
Net current assets		**155,331**	151,775
		324,138	296,852
Capital and reserves			
Share capital		**3,431**	2,882
Reserves		**320,707**	293,970
		324,138	296,852

Notes:

1. **BASIS OF PREPARATION**

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and with the Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

2. **SIGNIFICANT ACCOUNTING POLICIES**

The condensed consolidated financial statements have been prepared on the historical cost basis. The accounting policies used in the condensed financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2006.

In the current interim period, the Group has applied, for the first time, a number of new standard, amendment and interpretations ("new HKFRSs") issued by the HKICPA, which are effective for the Group's financial year beginning 1 January 2007. The adoption of the new HKFRSs had no material effect on the results or financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been required.

The Group has not early applied the following new and revised standards or interpretations that have been issued but are not yet effective.

HKAS 23 (Revised)	Borrowing Costs[1]
HKFRS 8	Operating Segments[1]
HK(IFRIC) – Int 11	HKFRS 2: Group and Treasury Share Transactions[2]
HK(IFRIC) – Int 12	Service Concession Arrangements[3]

[1] Effective for annual periods beginning on or after 1 January 2009
[2] Effective for annual periods beginning on or after 1 March 2007
[3] Effective for annual periods beginning on or after 1 January 2008

The directors of the Company anticipate that the application of these standards or interpretations will have no material impact on the results and the financial position of the Group.

3. SEGMENT INFORMATION

Revenue represents the amounts received and receivable for goods sold and services provided to outside customers, less returns and allowances, and net of value-added tax during the period.

Business segments

For management purposes, the Group is currently organised into three operating divisions – machine tools, parking garage structures, and forklift trucks. These divisions are the basis on which the Group reports its primary segment information.

Segment information about these businesses is presented below.

For the six months ended 30 June 2007

	Machine tools *RMB'000*	**Parking garage structures** *RMB'000*	**Forklift trucks** *RMB'000*	**Total** *RMB'000*
Revenue – external sales	**261,953**	**59,154**	**45,727**	**366,834**
Segment results	**52,634**	**4,246**	**1,215**	**58,095**
Unallocated corporate income				**2,313**
Unallocated corporate expenses				**(12,992)**
Finance costs				**(1,219)**
Profit before taxation				**46,197**
Taxation				**(4,911)**
Profit for the period attributable to equity holders of the Company				**41,286**

For the six months ended 30 June 2006

	Machine tools *RMB'000*	Parking garage structures *RMB'000*	Forklift trucks *RMB'000*	Total *RMB'000*
Revenue – external sales	206,517	40,449	24,333	271,299
Segment results	28,716	697	(1,422)	27,991
Unallocated corporate income				2,687
Unallocated corporate expenses				(12,553)
Finance costs				(1,561)
Profit before taxation				16,564
Taxation				(885)
Profit for the period attributable to equity holders of the Company				15,679

4. OTHER INCOME

	Six months ended 30 June	
	2007	2006
	RMB'000	*RMB'000*
Government subsidies	**460**	1,230
Bank interest income	**1,495**	927
Sales of materials	**478**	678
Repair income	**591**	417
Others	**385**	530
	3,409	3,782

5. PROFIT BEFORE TAXATION

	Six months ended 30 June	
	2007	2006
	RMB'000	*RMB'000*
Profit before taxation has been arrived at after charging:		
Allowance for inventories	**325**	462
Allowance for bad and doubtful debts, net	**3,507**	1,930
Amortisation of intangible asset included in administrative expenses	**350**	258
Amortisation of prepaid lease payments	**271**	116
Depreciation of property, plant and equipment	**6,245**	4,926
Listing expenses	**–**	2,976

6. TAXATION

	Six months ended 30 June	
	2007	2006
	RMB'000	*RMB'000*
People's Republic of China ("PRC") enterprise income tax		
Current tax	**5,640**	1,417
Overprovision in prior year	**(545)**	–
Deferred tax	**(184)**	(532)
	4,911	885

No provision for Hong Kong Profits Tax has been made as the Group did not have any assessable profit arising in Hong Kong for both periods.

Pursuant to the approvals obtained from the relevant PRC tax authorities, the preferential income tax rate for Hangzhou Good Friend Precision Machinery Co. Ltd. ("Hangzhou Good Friend"), a subsidiary of the Company, is 16.5% comprising national income tax of 15% and local income tax of 1.5%. Hangzhou Good Friend is also entitled to a tax concession period in which it is fully exempted from national and local income tax for two years commencing from its first profit-making year, followed by a 50% reduction in the national and local income tax for the next three years. The exemption expired in 2006.

Hangzhou Good Friend was recognised as a technologically advanced enterprise. Pursuant to certain policies issued by the State Tax Bureau, it is entitled to a three-year extension of tax concession period over which it is subject to a minimum tax rate of 10% for the PRC national income tax commencing from 2007. The Group also entitled to a 50% reduction in the local income tax with expiry date not specified.

The applicable tax rate for Hangzhou Good Friend is 10.75% (six months ended 30 June 2006: 8.25%) for the period.

On 16 March 2007, the 10th People's Congress of China passed the China Unified Corporate Income Tax Law (the "New Law"), which will become effective on 1 January 2008. The New Law establishes a single unified 25% income tax rate for most companies with some preferential income tax rates to be applicable to qualified hi-tech enterprises. The related detailed implementation rules and regulations (the "Detailed Rules") on the definition of various terms and the interpretation and application of the provisions of the New Law are expected to be promulgated by the State Council within 2007. As and when the State Council announces the Detailed Rules, Hangzhou Good Friend will assess their impact, if any, and this change in accounting estimate will be accounted for prospectively.

Hangzhou Global Friend Precision Machinery Co., Ltd. ("Hangzhou Global Friend") did not have taxable profits for both periods.

7. DIVIDEND

On 28 May 2007, a dividend of RMB0.05 (2006: Nil) per share was paid to shareholders as the final dividend for 2006.

The Directors have determined that an interim dividend of RMB0.06 per share (2006: RMB0.05 per share) should be paid to the shareholders of the Company whose names appear in the register of members on 17 October 2007.

8. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the profit attributable to the equity holders of the Company of RMB41,286,000 (six months ended 30 June 2006: RMB15,679,000) and 336,000,000 shares in issue (six months ended 30 June 2006: 336,000,000 shares which represented the number of ordinary shares for the purpose of basic earnings per share adjusted for the bonus issue on 28 May 2007, as if the shares were outstanding throughout the period).

No diluted earnings per share have been presented as there were no potential shares in issue for both periods.

9. DEBTORS, DEPOSITS AND PREPAYMENTS

The following is an aged analysis of trade debtors at the balance sheet dates:

	30 June 2007 *RMB'000*	31 December 2006 *RMB'000*
Trade debtors		
1 – 30 days	**134,229**	84,933
31 – 60 days	**3,618**	3,204
61 – 90 days	**1,837**	5,683
91 – 180 days	**5,516**	11,339
Over 180 days	**18,308**	12,000
	163,508	117,159
Other debtors, deposits and prepayments	**51,605**	29,761
Total debtors, deposits and prepayments	**215,113**	146,920

The Group allows a credit period of 30 to 180 days to its customers.

10. CREDITORS AND ACCRUED CHARGES

The following is an aged analysis of trade creditors at the balance sheet dates:

	30 June 2007 *RMB'000*	31 December 2006 *RMB'000*
Trade creditors		
1 – 30 days	**53,853**	31,737
31 – 60 days	**29,324**	18,455
61 – 90 days	**1,709**	400
91 – 180 days	**344**	234
Over 180 days	**3,911**	2,203
	89,141	53,029
Other creditors and accrued charges	**150,125**	89,140
Total creditors and accrued charges	**239,266**	142,169

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

For the first six months of 2007, the revenue of the Group continued to grow appreciably by 35.2% to RMB366.8 million as compared to RMB271.3 million in the first six months of 2006. The gross profit margin increased to approximately 26.1% from 22.4% as compared to the corresponding period last year. The increase was due to the improved sales mix of the Group's sales of machine tools products with high margin constituting a larger proportion in the total sales of the Group.

Profit attributable to equity holders amounted to approximately RMB41.3 million, representing an increase of approximately 163.3% as compared to RMB15.7 million for the first six months of 2006. Distribution and selling costs increased by 7.1% from RMB31.5 million to RMB33.7 million as compared to the corresponding period last year , primarily due to an increase in sales agency fees associated with sales activities of CNC machine tools products. Administrative expenses increased by 52.3% from RMB11.5 million to RMB17.5 million as compared to the corresponding period last year, primarily due to higher fixed overhead costs for a new plant, which has commenced production from January 2007.

Business Review

For the first half of 2007, more than 71.4% of the Group's revenue was generated from sales of mainstream product, CNC machine tools, which amounted to RMB262.0 million. Sales of parking garage structures and forklift trucks were approximately RMB59.2 million and RMB45.7 million respectively, which constituted 16.1% and 12.5% of total revenue.

The new plant in Xiasha (production base of 杭州友高精密機械有限公司, Hangzhou Global Friend Precision Machinery Co., Ltd.) ("Hangzhou Global Friend") started the production of forklift truck early this year, whereas the plant in Xiaoshan (production base of 杭州友佳精密機械有限公司, Hangzhou Good Friend Precision Machinery Co., Ltd.) focused on the production of CNC machine tools and parking garage structures. This new arrangement had enhanced the Company's manufacturing capacity which in turn boost overall sales performance in all products. For the first half of 2007, the sales volume of CNC machine tools, parking garage structures and forklift trucks amounted to 658 units, 2,884 units and 852 units respectively.

The Group's major customers of CNC machine tools products are automobile and mechanical manufacturers. The Group had implemented an effective cost control policy to improve the operating margin by bringing costs down through sourcing of raw materials from local suppliers. Operating gross profit margin for CNC machine tools increased to approximately 29.6% during this period.

Sales volume and turnover of parking garage structures increased by 23.2% and 46.2% respectively as compared to the corresponding period last year with a fairly increase in the average selling price. For forklift trucks, market share in overseas market was increased by introduction of new models of electronic forklift trucks. As a result, the revenue generated from sales of forklift trucks increased to 12.5% for the Group's total revenue as compared with the corresponding period last year.

Prospects

According to the "2007 World Machine Tool Output & Consumption Survey" issued by Gardner Publication, Inc., the PRC was the largest machine tool import and consumption country in 2006. The value of machine tools imported and consumed by the PRC was approximately US$7,100 million and US$12,940 million in 2006, implying that over 50% of demand for machine tools in the PRC was fulfilled by overseas suppliers.

The Directors believe that the implementation of Eleventh Five-Year Plan will be beneficial to the Group as development of critical and generic technologies, as well as that of high-end CNC machine tools for use in aerospace, military and high-tech industries, will be a key focus in the coming years in the PRC. The Group will continue to expand its production, and enhance research and development capabilities to produce higher quality and higher-end precision CNC machine tools to meet the high demand of the local markets.

For the future development of the Group, the second phase construction of the production plant of Hangzhou Global Friend is expected to be completed in the second half of 2007. Upon Hangzhou Global Friend has begun full-scale operations, the Group expects its annual production capacity of CNC machine tools, parking garage structures and forklift trucks to reach 2,400 units, 10,000 units and 5,000 units respectively in 2007. Due to the changes of the development plan of the Group, 杭州友華精密機械有限公司 (Hangzhou Every Friend Precision Machinery Co., Ltd.) ("Hangzhou Every Friend") will postpone its construction of production base to the second half of 2007 and is expected to be completed in the second half of 2008. Furthermore, the Group acquired land use rights in the Hangzhou Jiangdong Industrial Park, Zhejiang province. The total floor area is about 67,000 sq.m. with a cost of approximately RMB19.2 million, and with it, the Group expects to further enhance the production capacity of CNC machine tools, parts and components of machine tools. The new production plant will be owned by 杭州友達機械科技有限公司 (Hangzhou Glory Friend Machinery Technology Co., Ltd.). The construction of such production plant is expected to start at the end of 2007.

In the future, the Group will participate a number of worldwide/local leading machine tools fairs to explore its overseas and local markets. With its competitive edge in the industry and advanced technology and know-how, the Group will enhance its capability to meet customers' need and demand.

Liquidity and financial resources

The working capital of the Group was mainly financed by internal cash flows generated from its operation and its existing banking facilities. As at 30 June 2007, the Group's cash and cash equivalents amounted to approximately RMB59.5 million (at 31 December 2006: RMB69.2 million). As at 30 June 2007, the Group had net current assets of approximately RMB155.3 million (at 31 December 2006: RMB151.8 million) and short-term bank borrowings of approximately RMB61.1 million (at 31 December 2006: RMB46.5 million). The current ratio (total current assets to total current liabilities) of the Group as at 30 June 2007 was approximately 1.5 (at 31 December 2006: 1.8). The gearing ratio as at 30 June 2007 (total interest bearing liabilities to total assets) was 9.7% (at 31 December 2006: 9.4%), indicated that the Group's overall financial position remained strong.

Capital structure

The share capital of the Company as at 30 June 2007 increased to HK$3,360,000 divided into 336,000,000 shares of HK$0.01 each (at 31 December 2006: HK$2,800,000 divided into 280,000,000 shares of HK$0.01 each). Bonus shares in the proportion of one bonus share for every five shares were issued on 28 May 2007. The bonus shares ranked pari passu in all respects to the existing issued shares.

Staff and remuneration policies

As at 30 June 2007, the Group employs a total of approximately 1,126 full time employees (31 December 2006: 1,051) in Hong Kong and the PRC. The Group's emolument policies are formulated on the basis of market trends, future plans and the performance of individuals, which will be reviewed periodically. Apart from provident fund scheme, state-managed social welfare scheme and share options (if any) are also awarded to employees according to assessment of individuals' performance.

Capital commitments and contingencies

The Group had capital expenditure commitments mainly for property, plant and equipment of approximately RMB18.4 million (at 31 December 2006: RMB4.2 million) which were contracted but not provided in the financial statements. The Group had no material contingent liabilities as at 30 June 2007 (at 31 December 2006: Nil).

Charges on the Group's assets

As at 30 June 2007, the Group had pledged bank deposits with an amount of approximately RMB3.6 million (at 31 December 2006: RMB2.8 million) which represented guarantee deposit in banks for the purpose of bidding contracts.

Use of proceeds

The proceeds from the Company's issue of new shares in January 2006, less listing expenses, amounted to approximately HK$62.3 million. During the six months ended 30 June 2007, the net proceeds were utilised (in accumulated amount) as follows:

	HK$'million
Acquisition of land for the production base of Hangzhou Global Friend	6.3
Construction of the production base of Hangzhou Global Friend	12.1
Purchase of new production equipment and machinery for Hangzhou Global Friend	1.1
Repayment of bank loans	11.8
General working capital	5.9
Total	37.2

The remaining balance was placed in short term deposits with licensed banks in Hong Kong and the PRC.

INTERIM DIVIDEND

The Board declared to pay an interim dividend of RMB0.06 (equivalent to approximately HK$0.062) per ordinary share for the six months ended 30 June 2007, amounting to RMB20.2 million (equivalent to approximately HK$20.8 million). The dividend warrants will be despatched on Thursday, 25 October 2007 to those shareholders whose names appear on the register of members of the Company at the close of business on Wednesday, 17 October 2007.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the identity of the shareholders entitled to receive the interim dividend, the register of members of the Company will be closed from Monday, 15 October 2007 to Wednesday, 17 October 2007, both days inclusive, during which period no transfer of shares will be effected. All transfers accompanied by the relevant certificates must be lodged with the Company's transfer office and share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Friday, 12 October 2007.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities during the six months ended 30 June 2007.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") as the code of conduct regarding securities transactions by the Directors. Having made specific enquiry of all Directors, the Company confirmed that all Directors have complied with the required standard set out in the Model Code during the period under review.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has adopted the code provisions in the Code on Corporate Governance Practices ("CG Code") as set out in Appendix 14 to the Listing Rules, which came into effect on 1 January 2005, as its own code of corporate governance practices. During the period under review, the Company had been in compliance with code provisions set out in the CG Code.

AUDIT COMMITTEE

The Company established an audit committee (the "Audit Committee") on 22 December 2005 with written terms of reference in compliance with the CG Code. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control system of the Group. The Audit Committee comprises three independent non-executive Directors, Mr. Koo Fook Sun, Louis, Mr. Chiang Chun-Te and Mr. Yu Yu-Tang. The Audit Committee has reviewed the unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2007.

INTERIM REPORT

The 2007 interim report containing all the information required by the Listing Rules will be published on Hong Kong Exchanges and Clearing Limited's website (www.hkex.com.hk) and the Company's website (www.goodfriend.hk).

By order of the Board
Good Friend International Holdings Inc.
Chu Chih-Yaung
Chairman

Hong Kong, 13 September 2007

As at the date of this announcement, the executive Directors are Mr. Chu Chih-Yaung, Mr. Chen Hsiang-Jung, Mr. Chen Min-Ho, Mr. Wen Chi-Tang and Mr. Chiu Rung-Hsien; and the independent non-executive Directors are Mr. Koo Fook Sun, Louis, Mr. Chiang Chun-Te and Mr. Yu Yu-Tang.